

Communication on Progress

United Nations Global Compact

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1 Statement of continued support by the Chief Executive Officer

Dear stakeholders,

I am very pleased to express our continuous commitment to the United Nations Global Compact and its 10 principles with the second submission of our Communication On Progress.

It is very important for our company to adhere to such international standards. Indeed, as a sustainability solutions provider, we want to set an example and show that sustainability can be implemented in any company, regardless of its size, sector and location. We all can adopt sustainability goals that match our strategy and corporate culture.

At DFGE, we set simple sustainability targets and implemented them at our level. In this report, we describe our commitments, actions and their related outcomes. We also identify targets for the year to come.

We realized that a margin for improvement could be to structure our actions into formalized policies that will be disclosed to stakeholders, as we want to increase our transparency.

We will keep promoting the 10 principles with our partners. Given our activities, we have the opportunity to raise awareness regarding sustainability topics, to increase the resort to recognized norms and to help structure sustainability management and reporting.

We hope that you will find valuable information in this report.

Greifenberg/Munich, January 2016



Dr.-Ing. Thomas Fleissner, CEO/Managing Director
DFGE – Institute for Energy, Ecology and Economy

2 Human rights

2.1 Principles, assessment and objectives

Principle 1

Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2

make sure that they are not complicit in human right abuses.



Human rights refer to “civil and political rights, such as the right to life, equality before the law and freedom of expression; economic, social and cultural rights, such as the rights to work, social security and education, or collective rights, such as the rights to development and self-determination, are indivisible, interrelated and interdependent”¹. In the context of work, they can relate to have safe working conditions, to be entitled to some rest, to be compensated... Other labor human rights are treated in the third part of this document.

DFGE endorses the United Nations “Protect, Respect and Remedy” framework. DFGE commits to respect human rights, to comply with German law in this sense and to promote remediation in case of abuse.

To know which target to set, we carried out a human rights screening based on Maplecroft Human Rights Risk Index².

- DFGE is based in Germany, whose risk index is low. In addition, DFGE is a service provider, meaning that none of the activities includes production and manufacturing, where it is our understanding that abuses are more likely to happen.
- DFGE’s customers are mainly based in Germany, where the risk is considered low. Indeed, the German law and legal framework aim at preventing human rights abuses and at ensuring that human rights are protected. DFGE’s main international client is Avnet, to whom sustainability support is provided, including on human rights.
- Regarding our suppliers, there is no supplier base *per se* due to the nature of DFGE’s activities. However, there are office supplies and food purchasing.

As a conclusion, we consider that the risk of human rights abuse in our operations is extremely low. To tackle it, and promote human rights protection and remediation, we commit to

¹ Source: United Nations OHCHR

² Source: <https://maplecroft.com/portfolio/new-analysis/2013/12/04/70-increase-countries-identified-extreme-risk-human-rights-2008-bhuman-rights-risk-atlas-2014b/>, as of January 2016

- provide our employees with safe and healthy work environment
- ensure right working conditions: prohibit harassment on the workplace, ensure a balance between work and private life and provide fair compensation

2.2 Description of actions

We comply with the German laws related to these topics and implement actions.

2.2.1 Health and safety

There are safety rules in case of accident, two employees are habilitated to extinguish fires and three employees know how to deliver first aid support.

From a health and safety standpoint, the main risks we identified are stress from commuting and health effects due to the use of computers, like musculoskeletal disorders. To tackle them, we opted for ergonomic chairs and screens with less blue lights. Regarding stress for commuting and going to see to the different clients, it is compensated by the fact that employees can work from home when they visit the clients. We also share nice times as a team, paid by the company: lunches every day, Christmas party, etc.

2.2.2 Working conditions

Employees are encouraged to express their opinions during weekly team meetings or dedicated one-to-one meetings. As the team does not exceed 10 people, we deemed that it was unnecessary to have a whistle-blowing system.

At DFGE, employees are empowered with time flexibility. They can work from home upon request and manage their own schedules. In this sense there is a balance between work and private life.

2.3 Measurement of outcomes

In January 2015, we set an objective of having another client taking part in United Nations Global Compact. This objective was not met despite our efforts. However, we aim at keeping it for 2016.

More outcomes can be measured:

- There was no work accident in 2015
- There was no harassment complaint in 2015

To be able to check if our work-life balance measures are efficient, we will measure the absenteeism rate in 2016. Indeed, we believe that when employees are entitled to flexibility, this reduces the number of sick leaves as holidays are used for rest and not to complete administrative tasks. We think that it increases employee's motivation to go to work. We will also formalize an emergency plan as now the number of employees as increased.

3 Labor

3.1 Principles, assessment and objectives

Principle 3

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4

the elimination of all forms of forced and compulsory labor;

Principle 5

the effective abolition of child labor; and

Principle 6

the elimination of discrimination in respect of employment and occupation.



In the UNGC principles, labor refers to the right to collective bargaining, as well as the prohibition of forced labor and child labor and the principle of non-discrimination.

To know if we were exposed to such risks, we carried out another screening using Maplecroft maps and indexes on child labor³, forced labor⁴ and human rights. The risk of discrimination, child labor or breach of the right to collective bargaining are considered low in Germany. We consider that there is a very low risk in our operations. On the other hand, regarding forced labor, only a few countries like Canada and Denmark are considered low risk. Most of European countries, including Germany, along with the United States, are considered medium risks. However, as the risks are linked to some activities⁵ like agriculture, hotel service or healthcare, we do not feel that there is a huge risk for our sector.

Regarding our partners, our clients are mainly based in Germany where the risk is low. We work with our international clients on their CSR strategy and report, and these topics are already taken into account internally by their teams. As a service-oriented company, we don't have production suppliers, thus cannot influence the company's CSR strategy in a sustainable procurement perspective.

Even if these risks are not likely to manifest for DFGE due to location, size and sector, DFGE commits to prevent any form of forced and child labor, recognizes the right to collective bargaining and wants to prevent any form of discrimination in hiring, promoting, training, paying or dismissing employees.

³ Source: https://www.maplecroft.com/about/news/child_labour.html

⁴ Source: <https://maplecroft.com/portfolio/new-analysis/2014/12/03/human-rights-deteriorating-most-ukraine-thailand-turkey-due-state-repression-civil-unrest-maplecroft-human-rights-risk-atlas/>

⁵ Source: <http://www.greenhotelier.org/wp-content/uploads/2013/07/Maplecroft-Forced-or-Involuntary-Labour-Index-2013-Map-1024x724.jpg>

3.2 Description of actions

To respect and promote labor rights, DFGE complies with related laws and has implemented actions.

3.2.1 Collective bargaining

We don't have any Works Council in place, nor any employee representative. However, our small size enables us to directly report problems to the management and find settlements with the team.

So that employees can express their concerns and ideas, a mechanism was set up to have two yearly interviews with management. In any case of conflict that cannot be solved, we can resort to the company's legal consultant.

3.2.2 Child and forced labor

We have hired only employees above 18, and our work contracts clearly establish the working conditions and prevent abuses. To promote the prevention of such abuses in our supply chain, we participated in dedicated CSR events, have a dedicated UNGC page on our website, and support our own clients in analyzing these risks, setting targets, implementing actions and measuring related KPIs.

3.2.3 Discrimination

Hiring processes have been written down. They state that employees should be chosen according to their skills. A dedicated job offer is to be written down to be able to compare the needs of the company with the skills and wishes of employees, but it was not the case for voluntary applications. A scorecard is filled up to help make an objective decision.

Regarding payroll, the salary is negotiated beforehand; all employees are entitled to appraisal interviews to set their own objectives, and, as mentioned last year, our office is also equipped for disabled workers.

3.3 Measurement of outcomes

We are happy to announce that our targets were reached:

- In January 2015, we had an objective to write down hiring process and to set up appraisal interviews mechanisms. These targets have been met.
- No breach of labor right is to be reported.
- Among new employees hired, 50% were women and 50% foreigners, showing that diversity is important for DFGE.

For next year, we want to keep our target of 0 breach of labor right. As far as implementation is concerned, we would like to formalize job descriptions for employees who were not hired based on published job offers.

4 Environment

4.1 Principles, assessment and objectives

Principle 7

Businesses should support a precautionary approach to environmental challenges;

Principle 8

undertake initiatives to promote greater environmental responsibility; and

Principle 9

encourage the development and diffusion of environmentally friendly technologies.



Being a consulting company in the field of sustainability, high environmental protection standards are a top priority for DFGE also for its own business activities. As DFGE mainly sells knowledge-based services, main impacts on the environment occur especially through office operation and commuting of employees.

DFGE's business consists of consulting other companies; thus, important possibilities for shaping their environmental policy exist. DFGE is aware of the responsibility which comes along with this fact, and strongly intends to use this potential for promoting its vision of a green economic activity comprising a responsible use of natural resources. As the economic success of DFGE is closely linked to a growing awareness of environmental topics in economy and society, protection of environment and natural resources is at the core of DFGE's business model.

4.2 Description of actions

DFGE undertakes measures to reduce its environmental impact in a variety of fields:

4.2.1 Waste disposal

At the office, DFGE practices waste separation in order to allow for a later reuse of recyclable resources. As the operation of DFGE's office runs nearly paperless, production of paper waste could be reduced effectively. Special attention is paid to the proper disposal of used coffee capsules, known for having a significant impact on the environment.

As consequence of a relatively high amount of accruing plastic garbage, DFGE proposed to the local supermarket to introduce more durable and reusable plastic bowls; the outcome of this initiative not yet being clear, DFGE will undertake further efforts in this regard in the ongoing year.

A further measure in this regard will be the development of a CSR policy detailing how to proceed with garbage in general; besides an explanation of the right way to treat recycling garbage, it will encourage DFGE's employees to avoid producing too much garbage at the outset. This policy will – in form of a consistent document – be sent to all employees.

4.2.2 Energy consumption

A modernization of DFGE's IT infrastructure and an outsourcing of resources into the cloud (already announced last year) were completed and brought an increase in terms of energy efficiency. The intended outsourcing also of the telephone system, in contrast, is delayed, as DFGE's current internet bandwidth does not support this at the moment.

Procurement-wise, DFGE pays attention to compensate for emissions occurring through the consumption of heating oil; on these grounds, the delivery contract was changed accordingly in the course of the past year.

An economic expansion of DFGE's business and hiring of new employees in recent years made it necessary to enlarge the office correspondingly. During the whole construction process, DFGE tried to take environmental aspects into consideration. All new windows are triple-glazed and comply with the guidelines of the latest German energy saving regulations (EnEV 2014). In contrast to the originally provided plastic frames, DFGE opted for more environment-friendly wood.

For the ongoing year, it is intended to further reduce energy consumption by installing multi-pole sockets; these will be switched off during nights and weekends in order to avoid standby electricity consumption. In this context, the planned CSR policy document mentioned above will also contain detailed instructions for energy saving measures by employees, for example by configuring the respective settings on PCs and laptops.

Furthermore, DFGE will review the options for switching to a "carbon free" electricity provider in the ongoing year.

4.2.3 Emission reduction

Significant environmental impacts occur through employee commuting, as there is no public transport connection to the office site. DFGE tried to reduce its carbon footprint in this sector by encouraging its employees to make use of car sharing. By means of this, the additional emissions due to the hiring of new employees could partially be offset. Furthermore, DFGE enables employees to work from home for two to three days a week, which also contributes to a mitigation of the company's transport emissions. About 80% of the employees currently make use of this option.

Concerning business travels, it is DFGE's explicit policy to avoid using planes whenever possible; instead, employees are encouraged to take the more environment-friendly public transport. By increasing the percentage of remote meetings with clients, DFGE is furthermore trying to reduce the amount of business travels at the outset.

An intended measure for the ongoing year is to compensate emissions which occur through shipment of letters and parcels, for example by making use of the “GoGreen” program of Deutsche Post. Alternatively, a full compensation of DFGE’s carbon footprint will be considered. DFGE’s explicit opinion that compensation is a subordinated measure compared to an avoidance of emissions in the first place remains however unaffected.

4.2.4 Consulting

As DFGE is a consulting company in the CSR sector, there is a big potential of convincing customers to change to more sustainable business practices. DFGE uses its credibility in this field to promote the ten principles of UNGC and to actively encourage clients to participate; this happens by attendance and support of several corresponding events (e.g. CSR day, CDP webinars, WWF conference, German CSR Communication congress and many more) and by releasing brochures and website posts referring to this topic.

Furthermore, DFGE tries to motivate and support its customers to create policies and take actions on aspects which have an influence in the spirit of UNGC. Via blog posts and publications in several media, DFGE describes important developments in the CSR sector and tries to make them comprehensible for its customers. Potentials and chances of environment-friendly business practices are pointed out, which contributes to a rising awareness of environmental protection matters.

DFGE’s services help customers to recognize and understand risks and chances in the field of environmental protection. Based on this, DFGE advises companies in the process of planning, implementation and communication of improvement measures. In this context, DFGE introduced or extended environmental impact and carbon management measures for more than ten customers in 2015.

4.3 Measurement of outcomes

A positive outcome of the past year is that there have been no reported incidents of violation against any legal obligations in the environmental field.

In order to be able to better monitor and manage its environmental impact, DFGE conducted an analysis of its annual carbon footprint in accordance with Greenhouse Gas Protocol⁶ guidelines; emissions from Scope 1, 2 and 3 were included into the analysis. Scope 1 comprises direct emissions resulting from fuel consumption directly on the premises and in cars owned by the company. Scope 2 describes indirect GHG emissions resulting from electricity consumption. Scope 3 emissions, included into DFGE’s carbon footprint calculation for the first time, comprise other indirect emissions such as purchased goods and services, capital goods, business travels or employee commuting.

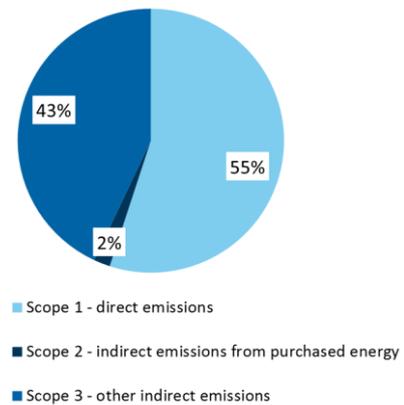
⁶ Source: GHG Protocol, 2004: A Corporate Accounting and Reporting Standard. Available under www.ghgprotocol.org (accessed Jan 2016)

In sum, DFGE's carbon footprint in 2015 amounts to about **21 t of CO₂e**. 55% of the emissions can be categorized as Scope 1 emissions, 2% belong to Scope 2 and 43% belong to Scope 3. As a further relational indication, two performance indicators describing emission intensities were calculated, which are supposed to serve as guide values for the reduction of relative emissions in the coming years:

- Emission intensity related to the number of employees and to FTEs (full time equivalents)
- Emission intensity related to the office's floor area

Due to the inclusion of Scope 3 emissions and some changes in terms of methodology, the results stated above are not directly comparable to last year's carbon footprint analysis; next year, however, this is likely to be the case, as no major changes in terms of methodology are expectable.

An already concrete result of DFGE's efforts in the field of environment, however, is that about 600 kg of CO₂e were saved in 2015 through the introduction of the car sharing scheme; this number is expected to rise for the ongoing year, as the measure was not implemented until the second half of 2015.



5 Anti-corruption

5.1 Principles, assessment and objectives

Principle 10

Businesses should work against corruption in all its forms, including extortion and bribery.



Anti-corruption is “the abuse of entrusted power for private gain”⁷. It can take many forms: money-laundering, fraud, conflict of interest, ... It can also be linked to fair competition.

According to Transparency International Corruption Perception Index, Germany scores 79, and ranks 12 on 175 countries⁸, meaning that the corruption risk is low in Germany. However, we identify some risks from tendering and linked to our carbon footprint activities.

- According to the European commission, when dealing with German public procurement, companies can face “collusive bidding, conflicts of interest in the evaluation of bids, the involvement of bidders in the design of specifications, unclear selection or evaluation criteria, and tailor-made specifications for particular companies⁹”. This can be extended to private sector also.
- In the field of climate protection, or more precisely in the field of emission permits there have been reported incidents of tax fraud as well as other irregularities. DFGE never was nor is involved in the trade with emission permits, green electricity or similar products.

The analysis we carried out for human rights and labor can also be used here: our clients are mainly located in Germany, thus not really exposed but for the two risks described above. If they are located in other countries, in any case we work on their sustainability strategy or reporting, so we have the opportunity to promote anti-corruption behavior here. We don't have production suppliers; thus we cannot cascade our requirements to the supply chain.

DFGE commits to prohibit and prevent embezzlement, money-laundering, fraud, conflict of interest, bribery, extortion among others. DFGE commits to comply with competition framework. DFGE complies with all applicable laws in this sense.

⁷ Source : Transparency International

⁸ Source: <http://www.transparency.org/cpi2014/results>

⁹ Source: European Commission, Feb. 2014 (<http://www.business-anti-corruption.com/country-profiles/europe-central-asia/germany/public-procurement.aspx>)

5.2 Description of actions

To prevent corruption:

- DFGE complies with the law.
- DFGE has implemented accountability principles following the German (tax) law via a tax attorney.
- To avoid extortion and embezzlement, there is no company credit card. Employees pay their travel fees and are then reimbursed upon presentation of receipts.
- DFGE has a robust and science-based methodology that prevents false carbon certificates and distances itself decidedly from such business practices and regrets the loss of credibility for the whole climate protection sector which was caused by these incidents. In the course of its consultancy services, DFGE works towards the use of serious, transparent and recognized providers in the field of emission permits.

5.3 Measurement of outcomes

Like in 2015, there were no allegations nor cases linked to corruption and bribery. We want to keep this target of 0 case of corruption.

We failed to reach our objective of having another client endorsing UNGC. We keep this objective for next year. However, we still were active with many events linked to CSR and our website and blog.

6 Targets for 2016

	Target	Action
Human rights	0 breach, 0 accident, 1 customer endorsing UNGC	Measure absenteeism rate Formalize emergency plan
Labor	0 breach, 1 additional customer endorsing UNGC	Formalize job descriptions
Environment	0 breach, 1 additional customer endorsing UNGC	Avoidance of standby electricity consumption, partial or full emissions compensation
Anti-corruption	0 breach, 1 additional customer endorsing UNGC	Actively promote UNGC to our customers
Overall	Increase transparency regarding CSR strategy Implement sustainable procurement	Formalize our commitments in shape of policies Investigate possible actions to include social, ethical and environmental criteria in our purchasing activities.

WITH OUR PARTNERS



Given our core activity, we have the possibility to promote UNGC and move sustainability forward. We help our customers to formalize CSR commitments, answer international standards such as UNGC, CDP, GRI, assess their carbon footprint, engage with their stakeholder. In this context, we promote human rights remediation and protection, as well as labor standards, environmental best practices or sustainable procurement. We also make the promotion of UN Global Compact through a dedicated webpage in our website and by taking part in several events that promote human rights and sustainability.

Munich/Germany, January 2016

The DFGE– Institute for Energy, Ecology and Economy provides consulting and auditing services to realize a Green Vision integrated in corporate business processes. Strategic advice on topics like technology, energy and emissions is expanded to business related and socio-economic aspects. Services range from consultancy in developing and managing customized analysis for testified Carbon footprint to validation of analysis methods and results for sustainable accuracy. As independent Institute DFGE's work is based on advanced scientific and research methods and institutionalized standards.

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